

Corporate Social Responsibility: Private Self-Regulation is Not Enough

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Corporate social responsibility (CSR) has become an established part of the global landscape, with companies throughout the world abiding by the United Nations Global Compact and many governments starting CSR initiatives. Michel Doucin explains the history behind the phenomenon, identifying the pioneers, including those in emerging countries, and the different interpretations of CSR. He argues for the recently adopted genuine international rules to shape a universal CSR framework.

Foreword

Michel Doucin begins his article with a fascinating historical analysis of the concept of corporate social responsibility. Bolstered by examples, his retrospective study of CSR reveals its heterogeneous and thus ambiguous nature—its plethora of sources (be it in the context of paternalism in Europe or business ethics in North America) and myriad approaches, ranging from unilateral, fragmented, and utilitarian notions targeting communication or risk prevention to the collective public-interest initiatives enshrined in the broad vision of sustainable development.

Other writers have referred to the nebulous nature of CSR as creating a “regulatory fog,”¹ and as “an evolving power dynamic; a process of institutionalization,”² and “the demarcator in an ongoing discussion of the boundaries between actions in public and private spheres.”³ With a few exceptions, CSR discussions have moved beyond the Manichean



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¹ W. C. Frederick, “Toward CSR3: Why Ethical Analysis is Indispensable and Unavoidable in Corporate Affairs,” *California Management Review* 28, no. 2 (1986): 126–41.

² C. Bodet and T. Lamarche, “La responsabilité sociale des entreprises comme innovation institutionnelle. Une lecture régulationniste,” *Revue de la régulation* no. 1 (June 2007).

³ Aurélien Acquier and Franck Aggeri, “Une généalogie de la pensée managériale sur la RSE,” *Revue Française de Gestion* no. 180 (2008): 131–57.

dichotomy between a purely voluntary concept of CSR and one that falls solely in the domain of legal obligations. Michel Doucin had already reached this conclusion in March 2008, at the end of the CSR seminar for the Francophone region organized in Rabat, Morocco, by the Francophone Association for National Human Rights Commissions. Here, he again underscores this point by demonstrating that the challenge currently posed is to strike a satisfactory balance between private collective self-regulation and public regulations. Thus the central issue of this “articulated regulation”⁴ is determining the *who* and *why* of tradeoffs.

For several months, citizens in many countries around the world have been voicing their anger and staging protests to condemn the incompetence or callousness of a number of political and economic leaders they accuse of colluding with special-interest groups to the detriment of society as a whole, and of socializing the cost of their mistakes. Witness the twin burdens imposed by the financial crisis and the public debt crisis, as well as growing social inequalities, stubbornly high unemployment despite a well-performing stock market, a dearth of white-collar jobs for young college graduates, the swelling ranks of the working poor, the deterioration of working conditions, the plundering of public wealth, corruption and abuse of power, shrinking public services, and so on. These challenges to governance models and social choices—driven by the desire for human dignity to be respected—are not unique to the G8 countries. Recent events indicate that these challenges are profoundly impacting emerging and developing countries, where people under age 30 often account for more than half of the population.

This is the backdrop against which Michel Doucin calls attention to the opportunity now open to states to redefine CSR so as to better protect the interests of the general public and to appreciate the true value of global public goods. Hence the increasingly important role of human rights in the CSR context. These rights are front and center in a number of recently published documents, such as “A Conceptual Framework and Guiding Principles on Business and Human Rights” (adopted by the United Nations Human Rights Council), updated “OECD⁵ Guidelines for Multinational Enterprises,” updated “IFC Performance Standards,” ISO⁶ 26000 Standard for Social Responsibility,” and so on.

⁴ P. Utting, “Rethinking Business Regulation From Self-Regulation to Social Control” (paper no. 15, Technology, Business and Society Programme, United Nations Research Institute for Social Development, September 2005).

⁵ Organisation for Economic Co-operation and Development.

⁶ International Organization for Standardization.

Tackling corporate responsibility through human rights anchors CSR in bedrock principles and creates a virtuous link between voluntary regulatory mechanisms and legalistic approaches. The challenge therefore lies in enhancing both their quality and effectiveness by preserving the overall coherence of the system in pursuit of an ideal form of justice.⁷ Because human rights create a global compact with society without imposing a specific organizational structure,⁸ they can allow states to view CSR as a standing invitation to collectively build and strike balances that, though anchored in local actions, are universal in application and scope.

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⁷ A. Supiot, *L'esprit de Philadelphie: la justice sociale face au marché total* (Paris: Editions du Seuil, 2010).

⁸ D. Lochak, *Les Droits de l'homme*, Paris, La Découverte, coll. « Repères »(2002, rév. 2005).

Corporate Social Responsibility: Private Self-Regulation is Not Enough

Michel Doucin⁹

Corporate social responsibility has met with widespread enthusiasm for some years. Companies throughout the world abide by the United Nations Global Compact launched by Secretary-General Kofi Annan in 1999, and today nearly 6,000 groups of companies are engaged in CSR. In September 2010, the ISO 26000 standard on social responsibility was adopted, with 93 percent of the participating standardization organizations, from 90 states, voting in favor. The United Nations Human Rights Council is currently adopting guidelines for human rights and companies and expects the guidelines to be accepted by a unanimous vote.

Such enthusiasm for social, environmental, and human rights (which emerging countries have shared) is reassuring in a world that generally seems to be concerned mainly with profits.

But are we misinterpreting this apparent unanimous adherence to the concept? Is the definition generally used in Europe—that of the European Commission, which considers CSR as an approach by which “companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis”—truly universal?

A number of indications lead us to doubt that there is a simple and universal concept of CSR.

In China, governmental directives for state-owned companies and export companies encourage CSR as a way to create a “harmonious society” and improve the international image of the country. The Danish government’s website states that CSR is a way of defining a collective quality label for national industry, with the aim of conquering new foreign markets. In India, authorities encourage the use of CSR as an instrument for curbing

threats of public unrest spurred by globalization, which widens social inequalities. Anglo-Saxon management schools see CSR as a new way to address consumers, shareholders, nongovernmental organizations, and others, which can help anticipate changes in their expectations, reduce risks of being the victim of smear campaigns, and maximize long-term profits. We don’t seem to be talking about the same thing!

How can we figure out what CSR actually is? What drives emerging countries to support a concept that they previously feared would pose a protectionist threat to them?

⁹ Michel Doucin, the French ambassador for bioethics and corporate social responsibility since 2008, is also an associate professor at Université Paris-Sud-Jean Monnet. Over the years, he has taken on a large number of functions dealing with cultural diplomacy, development policy, economy, and relations with civil society. A former student of Ecole Nationale d’Administration, he earned a master’s degree in economics and a doctorate in political science.

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All of the above interpretations actually have a common core, and each branch reflects the differences expressed by countries based on their social, economic, and political backgrounds. It would be a good idea to explain the history behind the core so that it can be defined before we identify the different parties responsible, particularly in emerging countries, which all have slightly different interpretations of CSR.

Intellectual Beginnings

Early writings on the CSR concept mention a few industrialists who, in the 1930s and then in the 1950s, supposedly suddenly decided to include the social well-being, equity, and happiness of their employees in their objectives relating to profits and the satisfaction of their shareholders, for ethical reasons rooted in their Christian faith. An economist named Howard R. Bowen is said to have come up with this theory and published it in 1953 in a very popular book entitled *Social Responsibilities of the Businessman*. According to Bowen, the fact that large businesses “are vital centers of power and decision making and that the actions of these firms touched the lives of citizens” is a source of tension in society. He goes on to say, “It [social responsibility] refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.”

Given that *Social Responsibilities of the Businessman* was written at the request of the Federal Council of the Churches of Christ in America, we might assume that the founders of CSR were motivated by their religious beliefs to ease the suffering in their soul. They were a wealthy minority living off the work of poor people. Therefore, any social work would be for the purpose of easing their conscience.

However, this idea should be viewed in broader historical and geographical contexts.

First, we can see a certain relationship between CSR and the utopian movement that developed at the beginnings of capitalism (in Europe and North America), inspired by Enlightenment thinkers. After Claude Nicolas Ledoux’s experience with the Royal Saltworks at Arc-et-Senans,¹⁰ Charles Fourier’s¹¹ ideas—widely promoted in the United States by Albert Brisbane (author of the *Social Destiny of Man*, published in 1840)—inspired several dozen experiments. A portion that would later be called CSR, namely the social redistribution dimension, was thus already established.

¹⁰ Each worker’s family had a house with some sanitation facilities and a private garden for growing vegetables.

¹¹ Charles Fourier created the Familistère, a kind of cooperative where workers’ families shared many health and education facilities.

Paternalism Roots

CSR is also affiliated with paternalistic tradition. It is rooted in social Catholicism, marked by the encyclical, *Rerum Novarum*, of 1891. This movement was very popular and can still be seen in Northern Europe (particularly in mining and metal industries) and in Latin America. Protestant religions would encourage a number of similar initiatives. In France, we can easily find this tradition in companies such as Michelin, Auchan, Leclerc, and Ovest-France, whose leaders are concerned with dialogue with their employees and eliminating the boundary between capital and labor through profit-sharing policy, at times bypassing the trade-union intermediary.

This tradition also can be seen in other cultures. In India, Jamsetji Tata explained his vision in 1885 (17 years after the conglomerate that bears his name was founded) as follows: “We do not claim to be more unselfish, more generous or more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholders our own, and the health and welfare of the employees, the sure

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foundation of our success.” He introduced occupational health care and maternity leave for his employees and their families. He also built and funded schools, universities, museums, and hospitals. These infrastructures were also accessible to populations located near his factories, because, in the words of his descendent, J. R. D. Tata, “Every company has a special continuing responsibility towards the people of the area in which it is located and in which its employees and their families live.”

A practicing Zoroastrian, Tata believed that charity was degrading for those who receive it and that it would therefore be better to create cooperatives fostering individual initiatives. He was educated in Great Britain, where he was struck by the devastating social consequences of the Industrial Revolution and attracted to utopian ideas of the intellectual circles he frequented. This new industrial culture, begun and cultivated by the Tata family and still in evidence today, has significantly influenced all the industrial sectors in India.

Paternalism is today a nearly universal practice. Corporate foundations can be found on every continent. They offer their employees social services and fund social actions benefiting communities with which their companies work. For example in Brazil, programs were assessed at €174 million in 2009, with priorities focusing on education, the development of local communities, health, sports, continuing education, and illiteracy. In India, an Ernst & Young study published in June 2010 indicates that 55 percent of the 40 large companies studied established foundations to work on education (85 percent), health (67 percent), and rural development and social support (57 percent).

This model is most developed in countries that have opted for a market economy. Faced with a growing class struggle at the end of the 19th century, these countries found it important to show that capitalism could be humane and provide social responses to address the consequences of poverty. The 1929 crisis spurred the first government interventions in the economy in the United States, and with them a reaction of employers eager to prevent the New Deal from going too far in the socialization of the economy (we can see this ongoing issue in the accusations made by today's Tea Party participants against the Obama administration). Then when the Soviet economic boom of 1945–1950 generated a wave of nationalizations throughout the world, paternalistic companies sought to stress that their solutions had at least the same quality socially as state-owned companies. Tata was proud to have avoided nationalization in the 1950s, because his workers, afraid of losing the social benefits they had gained, went on strike. Bowen's thinking was successful in this context. The history of CSR has progressed along with the world's major political and economic crises since the 19th century.

The Impact of Powerful Transnational Companies

However, it was only in the 1970s and 1980s that the concept of CSR was truly developed and gained importance relative to the paternalistic management vision. During this period we began to see private economic actors move beyond government control because of their economic weight and transnational nature. Foreign companies' conspiring with perpetrators of coups d'état in several countries at that time was brutal proof of this. Another example was the reticence of the Union Carbide Corporation to acknowledge its responsibility in the 1984 Bhopal disaster in India that killed at least 20,000 people and left millions with chronic diseases.

The Organisation for Economic Co-operation and Development took over a project for a Code of Good Conduct that had failed at the United Nations and adopted the Guidelines for Multinational Enterprises in 1976. The OECD states that the activities of multinational enterprises can “bring substantial benefits to home and host countries” and “can help enhance the economic and social progress in their host countries” and “resolve difficulties which may arise from their operations [related to their economic power].” An intergovernmental organization therefore established a dual responsibility: not to take advantage of power to act immorally, and to contribute to economic and social progress.

A Nonowner Management Style Seeking Legitimacy

Another occurrence is the financialization of the economy, which has translated into the growing importance of shareholders and a separation between ownership and management. We now have to come up with new governance rules to organize the relationship between salaried management and the new owners, whose idea of partnership revolves around generating big profits.

The idea of social expectations (beyond the shareholders) leads to the stakeholder theory. The economist Edward Freeman defined stakeholders in 1984 as any group whose collective behavior can directly affect the future of the organization, but is not under direct control. Managers, who are different from owners, have to manage the complex relations of the company with a set of groups that sometimes have conflicting expectations. Under pressure from traditional economists—for whom “the business of business is business” (Milton Friedman), in other words for whom the company has no other purpose than to make profits—a CSR managerial vision is slowly being established on the basis of two notions: minimizing risks that are associated with an inaccurate assessment of stakeholders’ expectations, and optimizing overall performance, thanks to the intelligent integration of these expectations. Salaried managers are gaining new legitimacy, working as mediators between the various interests of stakeholders.

The CSR Utilitarian Approach

CSR has now emerged as a strategic way of managing a company by anticipating the changes in consumer tastes and future social and environmental regulations, building workers’ creative motivation, and preventing the company’s reputation (and, by extension, shareholder value) from being damaged. It gives responsible companies a comparative advantage. In this utilitarian approach to CSR, ethics hardly have any importance.

CSR has now emerged as a strategic way of managing a company by anticipating the changes in consumer tastes and future social and environmental regulations, building workers’ creative motivation, and preventing the company’s reputation (and, by extension, shareholder value) from being damaged.

This idea has been popular, including in certain emerging countries. In China, “Guidelines to the State-Owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities” (promulgated in 2010 by the state) have eight methodological principles, including constantly improving the ability to make sustainable profits by advocating scientific and democratic decision making, improving product quality and service to protect consumer interests (only in this way can companies establish a good image), and promoting independent

innovation and technological advancement by increasing investment in research and development. In 2007, the China Social Compliance 9000 for the Textile and Apparel Industry was designed to prepare for the industry's necessary shift toward production sectors that generate the highest value added. It explains to manufacturers how to stop using their archaic management methods and develop employees' initiative in the areas of responsibility and training, which are sources of productivity gains. In Brazil, 300 sugarcane manufacturers pursued an objective to double their planted areas by 2020 with a CSR program by introducing automation, which would result in the firing of two-thirds of the sugarcane cutters. They offered cutters productivity bonuses, better housing, safety training, rehydration drinks, gym classes, and retraining courses for those who are made redundant. The company has likewise engaged in a program to eliminate slash-and-burn agriculture and to protect forests.

With this utilitarian vision, there was a first move away from the paternalistic CSR core of the past: ethics and philanthropy slowly began to fade out.

The CSR Social Risk Management Method

One of the CSR mentors in India, Arun Maira, member of the Planning Commission and a number of boards of directors, rounds out the utilitarian reasoning by adding a political dimension: "In India, industry is being given freedoms from governments regulations . . . but elected governments can continue to give industry more freedoms only if . . . people see the process of capitalist, market-based, economic development as a fair process." He established a relationship between the difficulties that companies such as Tata have come up against (to purchase today the land needed to develop their industrial plants) and the persistence of widespread poverty. Farmers would rather live off their small agricultural plots than join the idle and miserable growing masses living in megacities. Maira advocates commitment from companies, alongside public authorities, in the provision of essential services to communities around them. To be granted a social license to operate, some theorists say, companies should consider that the entire social environment counts among their stakeholders. This social environment faces the fatal threat of total rejection if the immediately accessible power, namely private entrepreneurs, does not provide social actions.

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The same approach can be observed in the main emerging countries, those where double-digit growth produces a staggering escalation of inequalities. In China, the “Guidelines for State-Owned Enterprises” thus states that “fulfilling CSR is not only their mission and responsibility, but also an ardent expectation and requirement from the public.” China’s development model used since Deng Xiaoping, based on very low salaries that could not offset the disappearing social protection systems, caused strikes and social movements of tens of thousands of people every year. Feeling threatened and not wanting to suffer any setbacks in its rapid move toward capitalism, the Chinese government sees CSR as a way out of its political dilemma: companies should take part in building safety nets to avoid the explosion that is feared. The Chinese Red Cross Foundation, associated with seven ministries, has organized a CSR Forum since 2007 that presents an award (broadcast on television) to companies whose generosity toward humanitarian causes is considered exemplary.

Aware of the difference between philanthropy and utilitarianism, authors of the ISO 26000 standard adopted in September 2010 opted for a convoluted wording: “Philanthropy (in this context understood as giving to charitable causes) can have a positive impact on society. However, it should not be used by an organization as a substitute for integrating social responsibility into the organization,” and “social investments do not exclude philanthropy (for example, grants, volunteering and donations)”.

Stakeholder Power

In addition to the conflicting philanthropic and utilitarian visions, another division has emerged in the interpretation of CSR managerial doctrine on the involvement of stakeholders. As noted earlier, Edward Freeman proposed to overhaul corporate strategy, basing it on stakeholders. They can be numerous: there are internal stakeholders (shareholders, employees) and external stakeholders, which can be institutional (public authorities, professional organizations), economic (suppliers, clients, bankers), and ethical (nongovernmental organizations). Now, we must decide on the form and arrangements for working with the various stakeholders.

The ISO 26000 standard established a compromise based on the ambiguous word engagement. “Stakeholder engagement can take many forms. . . . It can take place in either informal or formal meetings and can follow a wide variety of formats such as individual meetings, conferences, workshops, public hearings, round-table discussions, advisory committees, regular and structured information and consultation procedures, collective bargaining and web-based forums. Stakeholder engagement should be interactive.” There is a wide range of choices.

Although this document was adopted by a broad consensus, several delegations voiced their reservations about the expressions *interactive engagement* and *collective bargaining*. The problem is that employers' authority is being challenged by a participative consensus-seeking management. The disagreement over this issue is exacerbated when the stakeholder in question is a union. European management has gradually indicated a willingness to hear social dialogue on various CSR issues, as can be seen in 86 international framework agreements, most of which are European. However we have noted a massive rejection of union involvement outside Europe.

Sustainable Development and the Role of Governments

The Earth Summit in Rio de Janeiro, which will celebrate its 20th anniversary in 2012, affirmed in its final resolution that all categories of actors making up the human community also have a role to play to ensure the sustainability of our planet. This unanimous engagement recently showed its limitations, first at Copenhagen, then in Cancun. At the end of ISO 26000 negotiations, with the threat of certain emerging countries voting against it, the participants accepted a sentence that noted the existence of “societal, environmental, legal, cultural, political and organizational diversity, as well as differences in economic conditions” between countries in the struggle to save our biosphere.

A number of major crises at the beginning of the third millennium, several of them due to overheating markets, led to the idea that governments may not have been totally illegitimate as regulators, including in the area of CSR.

This question about the role of different countries is related to the question of whether CSR needs to be monitored by public authorities. There was strong opposition to such monitoring in the last decades of the 20th century, resulting from the famous “Washington Consensus,” which attributed absolute regulatory capabilities to market forces. This dogma wrote off most of the duties performed by countries in the European model. But a number of major crises at the beginning of the third millennium, several of them due to overheating markets, led to the idea that governments may not have been totally illegitimate as regulators, including in the area of CSR.

Monitoring the veracity of information provided by companies concerning their social and environmental behavior that contributes to their financial value, for instance, could be of interest for the protection of shareholders. Setting up an oversight system for their potential negative impacts in countries with lax legislation could protect consumers. And, although companies invite stakeholders to participate in dialogue, it will never be more than just their contemporaries, and future generations will always be missing. Governments are the ones that can best express the interests of future generations. The question of the regulating role of governments in CSR has basically caused a rift between welfare states or countries with state-run economies and liberal countries or countries with very little governance.

In the first category, we find a large number of European countries and countries such as China and India. Governments of these last two countries have drafted governance standards for their public and private companies. The stock markets of Shanghai and Shenzhen, as well as those of Kuala Lumpur, Singapore, Johannesburg, and Sao Paulo, which are state-controlled institutions, require listed companies to publish extra-financial information. Judicial authorities in these countries also play their part. It is interesting to note a decision the High Court of Kerala handed down in 2005 that states: “Thus the State has got a duty to protect ground water against excessive exploitation, and the inaction of the State in this regard is tantamount to infringement of the right to life of the people of India, guaranteed under Article 21 of the Constitution of India.” The Dutch government has stated on its CSR Netherlands website: “In the first instance corporate social responsibility appears to be the responsibility of the business community. But the government also has an important role to play. The government sets frameworks and stimulates developments and investments that contribute to sustainability, participation and social cohesion.”

In the second category, of less-interventionist countries, it is interesting to note the prudence of the national CSR strategy adopted by the German government on October 6, 2010. The task of the strategy is “developing a framework that focuses on allowing market forces to develop and, at the same time, seeks to square freedom of action with the active assumption of responsibility.” It focuses on the purely incentive nature of its guidance.

This question of the regulating role of governments in CSR leads us to another one. Although CSR has thus far been regarded as voluntary, hence soft law, shouldn't we consider there to be room for mandatory laws in its promotion as well, such as those that France initiated with the legal obligation for social and environmental reporting for the biggest companies (later followed by Denmark, Malaysia, and other countries)?

In reality, the boundary between voluntary action and constraint, which has structured CSR discourse since its inception, is being erased. Some governments (among the most important) have taken steps forward by presenting CSR as a combination of styles. The aforementioned Chinese Guidelines lay down as a first requirement that business should be conducted in a legal and honest way in complying with regulations and laws, and only the seventh requirement protects the legal rights of employees through the signature and respect of work contracts, the principle of nondiscrimination, and implementation of the employee representatives' convention system (objectives that can all be found in laws).

Disillusions of the End of an Era

If at first glance corporate social responsibility seems to be a simple concept, a more in-depth analysis reveals a number of ambiguities, not to mention contradictions. Utilitarianism focused on the short and medium term does not readily lend itself to sustainable development and philanthropy. Why has this concept been successful virtually all over the world? And why is it particularly popular in the major emerging countries that are usually wary about everything that comes from the North?

Utilitarianism focused on the short and medium term does not readily lend itself to sustainable development and philanthropy. Why has this concept been successful virtually all over the world?

The answer is doubtless closely linked with the current moment in the history of humanity, which some call the “crisis of capitalism.” Corporate social responsibility has been successful in a period marked by three events:

- The first of these events was the disappearance of most regimes with state-controlled economies (with the fall of the Berlin Wall and Deng Xiaoping’s reforms in China), which has led us to believe in the universal development of the market economy (even, as some have wanted to think, the end of an era);
- The second was the explosion of organized civil societies all over the world, which demanded (and achieved) recognition of their role, including in the definition of macro-social guidelines (for example, conclusions of the final declaration of the Earth Summit held in Rio de Janeiro in 1992, which was largely based on proposals by nongovernmental organizations);
- The third event occurred at the end of the 2000s, when, for example, the Breton Woods institutions gave up the Washington Consensus and engaged in poverty-eradication programs in which responsibility was given to governments, which revamped their economic role and were encouraged to collaborate with their civil societies.

These three events have shaped a new political framework that sends a strong message to companies. They are encouraged to take full advantage of the new opportunities generated by the globalization of markets—while being careful not to abuse their power, because new social forces are emerging that exercise vigilance in the area. In addition, governments are seeking new governance (nationally and globally) that can offset any potentially perverse effects of a market to which they see no alternative. They consider the effective use of CSR that implements the stakeholder theory to be conducive to finding acceptable compromises.

From there, a new and last branch of CSR has emerged: the bottom-up approach, giving companies a responsibility alongside public authorities in poverty alleviation. One of the best-known examples is the partnership between Danone and the Grameen Bank, in Bangladesh, to produce nutritional yogurt by small artisanal units and distribute it via a network of women taking on social duties at the same time for extremely poor people. The business-case deficit, due to the very low sale price, should be compensated over the long term by income from Danone Communities, a SICAV (investment company with variable capital). Another interesting example is the significant shift toward partnership with public authorities: in India, Edenred (formerly Accor Group) is working free of charge with the government of Maharashtra to create a forgery-proof biometric card that can ensure better distribution of food aid to poor people and end fraud (assessed at 40 percent of the total budget for this purpose). Comparable partnerships also exist in Brazil and other Latin American countries.

Public trust was considerably weakened by high unemployment, harsh evictions from housing bought on credit, the drop in the value of savings, and so on. Widening inequalities in developing countries are explosive (as recent events in the Middle East have shown), and riots and Marxist uprisings continue in dozens of countries, including India, where the Naxalite insurgency spans nearly 20 percent of the territory. With the exception of social-economy enterprises, dialogue with stakeholders has rarely changed the direction of governance. Management and the board always have the last word and are required to produce the financial results expected by shareholders.

It is amazing to see that a growing number of countries are establishing mandatory rules to govern private economic activity in the field of CSR.

CSR with its diverse and diverging interpretations seems to be too uncertain to genuinely serve as an accurate and secure guide in the shift of capitalism that we are experiencing and whose final direction is unknown. It is amazing to see that a growing number of countries are establishing mandatory rules to govern private economic activity in the field of CSR.

Bowen predicted this disappointment over social responsibility being conducted mainly by companies. He came up with the idea that economic problems of our society (problems such as instability, insecurity, injustice, and the lack of satisfaction) cannot be resolved by simply making companies responsible. He argued that therefore there is a need to develop a set of generally accepted standards or rules that businesspeople should follow.

The need for genuine international rules to shape a universal framework emerged in the 1970s, then received fresh support with the creation of the Global Compact proposed by United Nations Secretary-General Kofi Annan at the World Economic Forum in Davos in 1999. It is gaining substantial ground today with the National Contact Points for the OECD Guidelines for Multinational Enterprises. Two international negotiations are under way on this issue (at the United Nations Human Rights Council and the OECD) in the wake of the ISO 26000 standard. The challenge lies in the need for them to converge with existing international work (by the International Labour Organization, Global Compact, ISO, IFC, and Global Reporting Initiative) and to build a balance between collective private self-regulation and government regulations.

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